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TAGS:

SUBJECT: TRIPARTITE STUDY - HONDURAS

REF: TELCON, CARTER-KIMBALL, 4/26/76

1. PROPOSED INTRODUCTORY STATEMENT TO BE DELIVERED BY
GERALD FLOOD AT MEETING IN HONDURAS FOLLOWS:

2. QUOTE: WE UNDERSTAND THAT CONSIDERABLE DISCUSSION HAS
ALREADY TAKEN PLACE WITHIN HONDURAS ON HOW THE DRAFT REPORT
SHOULD BE INTERPRETED ON TWO MAJOR ISSUES: (1) THE PRIORITY
TO BE GIVEN THE AGRARIAN REFORM PROGRAM IN THE ALLOCATION
OF PUBLIC FINANCIAL AND TECHNICAL RESOURCES; AND (2) THE
SCOPE OF THE "COMITE COORDINADOR" (COCO) ROLE IN THE FORMU-
LATION AND COORDINATION OF GOVERNMENT AGRICULTURAL POLICY.

3. WE WOULD LIKE AT THE OUTSET TO MAKE CLEAR THE BANK'S
VIEWS ON BOTH THESE MATTERS.

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4. AGRARIAN REFORM - THE GOVERNMENT HAS STATED THAT THE AGRARIAN REFORM IS ITS PRINCIPAL POLICY INSTRUMENT FOR ATTAINING A MORE JUST DISTRIBUTION OF RURAL LANDS, FOR THE ACHIEVEMENT OF GREATER PRODUCTION AND PRODUCTIVITY IN THE AGRICULTURE SECTOR, AND FOR BRINGING ABOUT AN IMPROVED

STANDARD OF LIVING IN RURAL AREAS. IT IS OUR UNDERSTANDING THAT THE GOVERNMENT IS PROCEEDING WITH THE IMPLEMENTATION OF THIS PROGRAM IN ORDER TO ACHIEVE A TARGET FOR RESETTLEMENT OF 20,000 FAMILIES A YEAR OVER THE NEXT 6 YEARS, AND THAT THE GOVERNMENT WILL GIVE PRIORITY IN THE ALLOCATION OF RESOURCES TO PROVIDING THE NECESSARY FARM SERVICES SUCH AS CREDIT, AGRICULTURAL INPUTS, INFRASTRUCTURE, EDUCATION AND TECHNICAL ASSISTANCE IN THE AREAS OF PRODUCTION, MARKETING AND COOPERATIVE MANAGEMENT TO ASSIST RESETTLED FARMERS IN MAXIMIZING PRODUCTION.

5. IT IS THE BANK'S VIEW THAT FULL SUPPORT SHOULD BE GIVEN TO THE PROMPT AND VIGOROUS IMPLEMENTATION OF THE AGRARIAN REFORM PROGRAM IN ORDER TO EFFECT THE SUBSTANTIAL RESTRUCTURING OF LAND TENURE IN RURAL AREAS NECESSARY TO PROVIDE THE BASIS FOR FUTURE INCREASES IN AGRICULTURAL PRODUCTION AND TO BRING ABOUT A MUCH NEEDED IMPROVEMENT IN RURAL INCOMES. SINCE IT IS GENERALLY AGREED THAT THE PRINCIPAL CONSTRAINT TO THE SUCCESSFUL IMPLEMENTATION OF THIS PROGRAM WILL BE THE GOVERNMENT'S LIMITED ABILITY TO PROVIDE THE NECESSARY SUPPORTING SERVICES, THE AMOUNT OF RESOURCES THE GOVERNMENT IS PREPARED TO DEVOTE TO AGRARIAN REFORM WILL DETERMINE HOW RAPIDLY ITS GOALS WILL BE MET.

6. THE BANK FULLY SUPPORTS THE GOVERNMENT'S DETERMINATION TO UTILIZE MOST OF THE RESOURCES AVAILABLE FOR AGRICULTURAL DEVELOPMENT, BOTH HUMAN AND FINANCIAL, TO SUPPORT THE AGRARIAN REFORM. THE INVESTMENTS RECOMMENDED IN THE DRAFT REPORT, IN ADDITION TO THE FIXED INVESTMENT AND CREDIT PROPOSED FOR THE AGRARIAN REFORM PROGRAM ITSELF, INCLUDE INVESTMENTS FOR SUCH PROGRAMS AS RURAL ROADS, RESEARCH, IMPROVEMENT OF THE EXTENSION SERVICE, ADMINISTRATIVE REFORM, ETC., ALL OF WHICH WOULD DIRECTLY LIMITED OFFICIAL USE

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BENEFIT THE REFORM SECTOR.

7. WE DO NOT BELIEVE, HOWEVER, THAT THE ALLOCATION OF THE RESOURCES NECESSARY TO CARRY OUT THE AGRARIAN REFORM AT THE MAXIMUM FEASIBLE PACE EITHER SHOULD, OR WILL, PRECLUDE THE GOVERNMENT FROM PROCEEDING WITH OTHER IMPORTANT AGRICULTURAL PROGRAMS. THE TRIPARTITE STUDY IDENTIFIES TWO AREAS WHICH SHOULD RECEIVE SUPPORT: COMMERCIAL AGRI-

CULTURAL DEVELOPMENT, AND THE CREATION OF A SMALL FARMER SERVICE SYSTEM.

8. ALTHOUGH A SUCCESSFUL AGRARIAN REFORM PROGRAM WILL ULTIMATELY RESULT IN INCREASED AGRICULTURAL PRODUCTION, THE COUNTRY WILL REQUIRE COMMERCIAL AGRICULTURE'S CONTRIBUTION TO AGRICULTURAL PRODUCTION AND PARTICULARLY

AGRICULTURAL EXPORTS IN THE SHORT, AND VERY LIKELY IN THE LONG RUN AS WELL, IF AN ADEQUATE RATE OF ECONOMIC GROWTH IS TO BE ACHIEVED. AS A PRACTICAL MATTER LONG TERM INVESTMENT CREDIT WILL NOT BE AVAILABLE FROM THE COMMERCIAL BANKS IN THE ABSENCE OF A GOVERNMENT SPONSORED CREDIT PROGRAM. WE WOULD EXPECT THAT THE MANPOWER REQUIREMENTS OF SUCH A PROGRAM WOULD BE SMALL BASED ON EXPERIENCE WITH THE FIRST AND SECOND LIVESTOCK PROJECTS, AND FOREIGN TECHNICIANS COULD BE EMPLOYED, IF NECESSARY. PROVIDED THE GOVERNMENT CONTINUES TO GIVE THE KIND OF HIGH PRIORITY TO THE RURAL SECTOR WHICH IT MERITS, WE EXPECT THAT HONDURAS SHOULD HAVE SUFFICIENT FOREIGN BORROWING CAPACITY OVER THE NEXT FEW YEARS BOTH TO FILL THE NEEDS OF THE REFORM SECTOR -- CONSIDERING THE LIMITS ON THE FEASIBLE RATE OF EXPANDING ABSORPTIVE CAPACITY -- AND OF COMMERCIAL AGRICULTURE.

9. ALTHOUGH THERE IS NO PRECISE DETERMINATION, A LARGE PERCENTAGE OF THE RURAL POOR (AND SOME OF THE POOREST OF THE POOR) ARE SMALL HOLDERS. IF HELP IS TO BE EXTENDED TO THESE PEOPLE WITHIN A REASONABLE PERIOD OF TIME, EFFORTS MUST BEGIN NOW TO DEVELOP A SMALLHOLDER SERVICE SYSTEM ON A PILOT BASIS. THE RESOURCES THE TRIPARTITE STUDY SUGGESTS MIGHT BE DEVOTED FOR THIS PURPOSE ARE MODEST IN VIEW OF THE SIZE OF THE GROUP TO BE SERVED AND LIMITED OFFICIAL USE

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SHOULD NOT DETRACT FROM THE AGRARIAN REFORM EFFORT.

10. ADMINISTRATIVE ORGANIZATION: THE SECOND ISSUE IN THE DRAFT REPORT WHICH HAS ALREADY BEEN THE SUBJECT OF CONSIDERABLE DISCUSSION HAS TO DO WITH THE PUBLIC SERVICES FOR AGRICULTURE. THERE WAS COMPLETE AGREEMENT, BOTH AMONG THE PARTICIPATING AGENCIES AND IN DISCUSSIONS WITH GOVERNMENT, THAT THE PUBLIC SERVICES WERE IN URGENT NEED OF IMPROVEMENT. THERE WAS ALSO RECOGNITION OF THE FACT THAT THE GOVERNMENT HAS UNDERWAY A SERIOUS EFFORT TO BRING ABOUT THIS IMPROVEMENT, PARTICULARLY THROUGH COCO, WHICH HAS BEEN ASSIGNED A MAJOR ROLE IN THE FORMULATION OF AGRICULTURE SECTOR POLICY AND THE COORDINATION OF THE ACTIVITIES OF THE GOVERNMENT'S AGRICULTURE SECTOR INSTITUTIONS. THERE HAVE BEEN INDICATIONS, HOWEVER, THAT

DIFFICULTY HAS BEEN ENCOUNTERED IN THE AREA OF COORDINATING THE OPERATIONAL PLANS OF THE IMPLEMENTING AGENCIES, A FUNCTION THAT WAS ASSIGNED, WITHIN THE COCO FRAMEWORK, TO THE PLANNING DIRECTORS OF THE VARIOUS AGENCIES. IT APPEARED TO THOSE RESPONSIBLE FOR DRAFTING THE REPORT THAT, IF THESE DIFFICULTIES WERE IN FACT BEING ENCOUNTERED, THE GOVERNMENT MIGHT WISH TO CONSIDER ASSIGNING THE TASK OF COORDINATING OPERATIONAL PLANS TO AN INDEPENDENT BODY. THIS BODY WOULD HAVE THE AUTHORITY TO INSURE THAT

THE PLANNING PROCESS WAS NOT IMPEDED BY INTER-AGENCY DISCORD WHICH MIGHT LIMIT THE EFFECTIVENESS OF A COOPERATIVE AGRARIAN REFORM EFFORT. END QUOTE.

11. PLEASE PHONE COMMENTS TO FLOOD ASAP.

12. SEPTTEL FOLLOWS REPORTING LUNCHEON MEETING ON TRIPARTITE STUDIES OF 4/26/76. SISCO

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